

'The fact that the Treasury was no longer a heavy buyer of exchange for its remittances on account of the debt and other charges tended, however, to improve the exchange situation, because the competition for bills was henceforth distributed over a large number of buyers, who were better able than the Treasury to conceal their operations and consult their interests.¹

A special project was carried out in 1903 for reducing the range of fluctuations in exchange due to speculation. The railways, which had heavy remittances to make at certain dates to Paris for interest on their bonds, found that on such dates the price of bills of exchange in Spanish currency was sharply advanced. The evil was partially remedied by opening a credit at two leading French banks of 50,000,000 francs, in favor of the Bank of Spain. The purchase price of bills was fixed from time to time by a syndicate committee and the different railways agreed not to bid against one another for bills at a higher price.³ This operation involved in effect the borrowing of the amount needed to meet deficiencies in the amount of bills of exchange offered, and for a few months, by careful management on the part of the Bank of Spain in gathering up local bills in different cities, exchange was kept fairly steady; but the credit in Paris was exhausted within a year and the experiment was not sufficiently successful to lead to its renewal.⁸

One of the aims of Sen or Villaverde was the revision of the charter of the bank in order to restore it to its commercial functions. The law of May 13, 1902, dealing with this subject prescribed that the Treasury should reimburse to the bank before December 31, 1911, the amount of obligations in its assets represented by Treasury certificates. The

¹Favre, *Les Changes D'sprfci's*, 73.

²*jfrconomiste Europeen*> January 23, 1903, XXIII., 107.

³ *Vide jfrconomiste Europken*, January 24, 1904, XXV., 156. Its failure was predicted by Mitjavile on the ground that the available bills would be largely absorbed by those having obligations to meet, who could not afford to wait for the syndicate to appear in the market and reduce rates and would therefore pay any rate necessary to obtain francs,—*La Crise du Change en Espagne*> 151.